

BEFORE THE
POSTAL REGULATORY COMMISSION
WASHINGTON, D.C. 20268-0001

PERIODIC REPORTING
(PROPOSAL ELEVEN)

Docket No. RM2015-4

REPLY COMMENTS OF THE UNITED STATES POSTAL SERVICE
(December 4, 2014)

Order No. 2257 (November 24, 2014) set December 3, 2014 as the new date for initial comments in this docket. Comments were filed on that date by the Public Representative and the Greeting Card Association. The Postal Service hereby provides its reply comments. The Postal Service files these reply comments before the reply comment deadline in order to expedite the resolution of Proposal Eleven to the maximum extent possible.

The Greeting Card Association (GCA) does not appear to oppose approval of Proposal Eleven, but rather wishes to see approval only if the Commission recognizes what GCA considers to be a “costing theory anomaly” implicit in the proposal. The Postal Service, however, completely disagrees with GCA’s interpretation of costing theory as applied to this situation. GCA’s concern is premised on the notion that, if the rates of postage for various postal services were different, the amount of relevant accrued costs (the fees paid, which are generated as a percentage of the postage paid) would be different as well. Such counterfactual hypotheticals, while true at some level, are of limited value in costing.¹ On the margin, the additional cost imposed by the

¹ One could just as easily also hypothesize, for example, that if the Postal Service had different wages based on different collective bargaining agreements with the various crafts (as compared with the actual collective bargaining agreements it has with the

additional piece (for which a fee is incurred) is the amount of the actual fee incurred. GCA appears to begrudgingly agree that this relationship “could be characterized as ‘causal.’” GCA Comments at 3. In reality, that is the *only* “causal” relationship of any relevance to this particular costing exercise, and there is nothing the least “problematic” about attributing costs on this basis. GCA’s theoretical reservations about Proposal Eleven are entirely misplaced, and should be dismissed.

The Public Representative (PR) more enthusiastically recommends approval of Proposal Eleven, viewing it as “more accurate and appropriate” than the current methodology. The PR additionally suggests that the Commission evaluate the impact of Proposal Eleven on product pricing and, for Competitive Products, compliance with the attributable cost floor requirement. While this suggestion is not unreasonable on its face, the Postal Service has some concerns about its implications. Potential improvements in costing should be judged on their own merits and, if determined to be actual improvements in the accuracy of reported costs and to be feasible, should be implemented. The objective is to have the most accurate product costs possible. If improvements in costing have pricing implications (which is generally less likely under the PAEA price cap regime for the majority of volume than under the previous ratemaking regime), then those pricing implications should be addressed in the pricing

various crafts), the relationship between the attributable costs of products which make use of craft labor inputs in varying proportions would be different. Such speculation sheds no light on the actual marginal costs of the various postal products as they are incurred in the real world. Similarly, the Postal Service pays fees based on the actual amount of the transaction, not on what the amount of the transaction might have been if the implicit cost coverages (and hence, by GCA’s reckoning, rates) of various products were different from what they are.

process. Such implications, however, generally provide no basis not to proceed with pursuit of the best costing methodologies available.

Since Proposal Eleven constitutes a clear improvement over the current methodology, and since neither the Public Representative nor GCA identify any basis to oppose or qualify its adoption, the Postal Service respectfully requests that the Commission approve the proposed change in the handling of Credit/Debit Card fees.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

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